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ABSTRACT

The issue of rural development has been surrounded by a number of debates regarding its nature, types, and scale. Included among the sources of controversy relating to rural development are the following areas: (1) the relation between rural development and rural industrialization, (2) the distribution of benefits and costs associated with development strategies, (3) the distribution of costs and benefits among sectors of the population, (4) the urban causes and consequences of rural development, (5) the possibility of developing a common national strategy for rural development, and (6) the relation between incentives to location of a firm in a community and subsequent economic development. Plans for any program for rural development must take into account questions of the proper scale of rural development, the special nature and extent of rural poverty, the effects of poverty on rural communities, existing experiences with rural development, the relationship between national economic revitalization and rural development, and the role of vocational education in rural economic growth. (Related reports on rural development in America are available separately through ERIC--see note.) (MN)

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Nature, Types and Scale of Rural Development

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Rural development is an elusive phrase. Proponents and opponents have debated "rural development" passionately. The phrase, perhaps even more than the reality, has become the focal point of hopes and fears, of optimistic predictions of a better life for rural Americans and of pessimistic predictions of continued poverty and marginality.

These debates have not clarified the issues. In part, this results from the very complexity of the matters involved in rural development. In part, it results from very limited and sometimes misdirected research efforts. In part, it results from the failure to specify and differentiate possible component meanings of the concept of rural development. This paper can note the research lacunae but it cannot remedy them. It can, however, help clarify some of the issues associated with rural development in an attempt to foster a more focused debate. People inadvertently discussing different concepts of rural development are unlikely to contribute to the development of workable policy options.

The most common interchange of terms and the source of the most pervasive ambiguity is the relation between rural development and rural industrialization. The old idea that industrialization is synonymous with development has given way to uncertainty over the relationship between the two. There is now a vigorous debate over what types of industries located in what types of areas bring what types of benefits and impose what kinds of costs both to communities and to various groups within these communities.[1] This is a new debate that has only begun to legitimate the inquiry. No

systematic development of a model of such processes and no systematic data-gathering exercises have yet been undertaken.

A second debate deals with the distribution of benefits and costs associated with any development strategy. One dimension of this debate is the relation between community vitality and individual well-being. In some senses, this is but a special case of the larger debate now central to much policy analysis--the relation between helping groups and helping individuals. Too often this question is debated as though there were adequate data and clear insights into the ramifications of the issue. A more useful approach is to begin with the question of what are the indicators of community vitality and individual well-being. Not only is there no agreement on what such indicators might be but there is also a pervasive lack of data relevant to the discussion Nevertheless, the issue of community benefits in relation to individual and family benefits is one that is likely to receive increasing attention.

A third debate deals with the distribution of costs and benefits among sectors of the population. Who lives in rural areas? How do the various groups of rural Americans share in the costs and benefits of various development strategies? The descriptive challenge has by no means been met. Data remain fragmented and inconclusive. Little is known about the specific impacts on young and old, families and individuals, the more and less educated, the long-time residents and the more recent arrivals, the farm and non-farm sectors, working people and retirees, parttime workers and fulltime workers, men and women, the Anglo and minority populations. This list could be extended. The possible

combinations of populations potentially affected diferentially by particular rural development strategies seems virtually endless.

A fourth debate centers on the urban causes and consequences of rural development. While it is generally admitted that many urban problems are the consequence of previous rural problems that have been relocated through urban in-migration, there is no agreement on solutions. Some observers still feel that migration is the best solution to rural poverty. At the individual level, the young and educated seem rational in moving rather than in hoping that a development strategy will work--or even be attempted--in their area. However, many residents of rural American either do not want to relocate or would have no greater opportunities in a different setting. The urban and national stakes in rural development are comming to be recognized. But, this recognition has yet to produce clarity, much less agreement, on strategies for designing public sector policies and private sector strategies based on these common interests.

A fifth debate is beginning to emerge about the possibility of developing a common national strategy for rural development. Concern is now manifest over competitive bidding for industries among states and communities. To what extent is this occurring? To what extent does such competitive bidding simply illustrate market action that produces the best combinations of factors conducive to economic growth in a competitive economy? To what extent does such competition increase the costs and reduce the benefits for communities or for sectors of the rural population? What are the alternatives to this

process of competitive bidding?

A sixth debate centers on the relation between incentives to location of a firm in a community and subsequent economic development. While this debate is enmeshed in the preceeding set of issues surrounding competitive bidding, the debate over incentives and subsequent developement would remain even without the inter-state and inter-community competition. To the extent that communities provide facilities and tax breaks as incetives to location, someone other than the new industry will have to pay the costs. Do these people benefit from industrialization? Do they feel that they are financing development or simply assuming costs that should be part of the operating expenses of firms in the private sector? What is the proper role of citizens and their institutions and what is the appropriate role of the private investor?

Even among those who endorse some governmental role in rural development, there is a seventh debate over the appropriate governmental units to provide incentives and bear costs. The appropriate roles of the federal, state and local governments are matters of debate. This is a murkey debate, partly because there is no clear picture of the roles that these various governments are currently playing, much less any clear understanding of the consequences of various types of interventions by these governments. Indeed, a complete listing of the types of local governments and quasi-governmental agencies involved in rural development is yet to be compiled.

These debates over rural development should not obscure a high level of agreement on the goals of rural development. This agreement is, not surprisingly, strongest at the level of broad societal goals. Few people would disagree with the desirability of balanced rural-urban

development that would alleviate rural poverty, stem urban in-migration (especially the in-migration of a poorly-educated, low-skill, welfare population), strengthen rural communities, and contribute to national economic prosperity and social vitality. Debates emerge over the means to achieve these generally desirable outcomes, not over the outcomes themselves.

Concern with these multiple goals of rural development is not the basis for a "romantic rusticity" that seeks to preserve rural America as a museum of small communities that can offer their residents few of the benefits enjoyed by Americans in other communities. Such romanticism is rarely espoused by rural Americans themselves. It is much more commonly endorsed by urban-bred and urban-based activists who have never lived in a small rural community. The poetically invoked virtues of small communities can just as easily be balanced by the isolation, lack of individual choice, and lack of individual opportunities in such communities. Villages are lovely for weekends, but not for lifetimes. Any rural development strategy that degenerates into museum work is unlikely to find support among rural Americans.

Questions of Scale in Rural Development

Questions of scale pervade the other debates discussed in the introduction to this paper. But, scale has not yet become the focus of a distinct debate over rural development. Questions of scale are questions of threshholds. Even those who believe that small is beautiful may agree that too small is not beautiful. Identification of these threshholds has not yet begun. Yet, individuals and businesses make de facto decisions about scale when they decide to locate in particular areas. The bases of these decisions remain largely unresearched.

Questions of scale include questions of the size of communities and the size of enterprises, their relationship and the relationship of each to individual well-being. Viewed in this perspective, questions of scale are, in effect, questions of the processes of fostering rural development and the consequences of particular development strategies.

Questions of scale are not static. They are dynamic questions about sequences and threshholds in developmental processes. This means that questions of scale are linked to a study of causal patterns in fostering rural development. Under what conditions do large enterprises create opportunities for smaller enterprises in a community? What types of small enterprises are most likely to be supported by a large enterprise in a rural community? Will the workers in particular types of large enterprises be more or less likely to do business with local retail establishments rather than with the stores of the nearest city?

These are central questions in any causal analysis of rural development. Unfortunately, there has been virtually no research on these causal patterns and developmental sequences. Any generalizations would be worse than premature--they would be unfounded.

The lack of information on these fundamental questions of scale has multiple causes. It was initially assumed that any economic activity would automatically stimulate further economic activity. This view rested implicitly on an assumption that communities were self-contained and that neither businesses nor individual consumers would look outside the community in their economic activity. This has proved to be an unfounded assumption. Many of the managers and skilled workers do not come from the community and prefer to spend their salaries on goods more readily available in cities. The consumption patterns of businesses also seem oriented to urban markets, but, again, data are limited. These tentative findings have caused increased concern about the problem of "capital leakage" from rural communities. However, it is not always easy to determine what constitutes capital leakage. Indeed, it is by no means clear what constitutes an economic community as opposed to a poltiical jurisdiction. An economic community or market area could include a county or a multi-county area rather than simply a "town." These distinctions have rarely been made in discussions of rural development.

A second reason for the lack of insight on matters of scale is the nature of research efforts to date. There is a general lack of data on the developmental experiences of real communities. Scholars have

relied unduly and often inappropriately on census data. These national aggregate data can offer little insight into questions of scale regarded as questions of developmental sequences and threshholds. Even if these national aggregate data were far more comprehensive and precise than they are, they would be inappropriate for an investigation of actual developmental sequences. Since these data have not been collected over time in a manner that would permit comparison, scholars haved tended to substitute comparative cross-sectional studies for actual longitudinal studies. This is precisely the wrong approach since it depends on assumptions about the very topic at issue--the temporal sequences of change and the causal patterns of these temporal sequences.

These same problems affect the few community case studies that have been done. Data are collected at one period of time but not over time. These case studies are often done by single researchers or small teams with neither the time nor the resources to continue the investigations over a number of years. All the problems of comparing case studies affect attempts to make generalizations about rural development on the basis of the few case studies that have been done. Even when the individual case studies are well-done, they have limited generalizability unless they are part of a number of studies designed to be compared.

It is understandable that scholars and policy makers should both be eager to generate insights into rural development without waiting for a variety of communities to live out their complete developmental sequences. However, it would be possible to compensate for the lack of historical aggregate data by doing a series of case studies that include historical economic anthropology. Such case studies would be

a cost effective research method compared to the cost of national survey research or the collection of national aggregate data. The barrier has not been cost but in understanding what types of data are required and in determining what questions are central to an understanding of rural development.

It is curious that there has been so little concern with questions of scale in manufacturing and service enterprises since there has been so much interest in questions of scale of agricultural enterprises and the relation between farm size and community vitality. Walter Goldschmitt's classic study has been the object of controversy but not of neglect.[2] Follow-up studies have supported Goldschmitt's initial findings--diversity in the scale of farms, with an emphasis on medium-sized commercial farms, sustains communities with a broad range of businesses and social services.[3] No similar study has been done for the non-farm sectors of rural economies. There has been some concern with one-enterprise "company towns" but this has been a matter more of monopoly than of scale.

Similarly, there has been virtually no research on the relation between agricultural enterprises and industrial enterprises.[4] Does the presence of one or more large enterprises have any impact on the modal scale of agricultural enterprises? No one knows. Yet, it seems unlikely that the agricultural and industrial sectors of local economies would not affect each other. In some areas of west Texas, there have been local controversies pitting large plants seeking to move into an area against farmers and ranchers who see industries, especially large industries, as a strain on local water supplies. Competition over resources and controversies over relative tax levels and relative benefits from tax monies seem fruitful areas for future research.

There is no substitute for research on these matters. The analogy between agriculture and industry is imperfect at best. No one has any basis for guessing whether the Goldschmitt findings on the relation between agricultural scale and community vitality would also prove valid for the relation between industrial scale and community vitality.

Some discussion, and a far more limited amount of research, has dealt with the size of community most conducive to business vitality.[5] The debate over "growth centers" has occurred with reference to rural America as well as with reference to policies for regionally balanced growth in several of the developing nations. These discussions have produced little consensus on the question of the scale of community required to attract and sustain particular types of industries. Growth center theory has been inexplicably devoid of concern with developmental sequences and has tended to treat developmet in a fairly static manner. The patterns of growth in the growth centers themselves has attracted little attention, perhaps because growth center theory has remain largely hypothetical, an exercise of those planning for the future rather than research on previous changes.

The critique of growth center theory has centered on the introduction of political considerations rather than economic planning criteria. Using the experiences of the Appalachian Regional Commission, Hansen is the foremost student of the impact of political factors on growth center plans.[6] Hansen criticized the Commission for identifying too many potential growth centers and for basing these designations primarily on political criteria. He does not address the issues of scale as directly as he addresses issues of the dispersion of effort.

A second set of questions centers on the impact of growth centers on the surrounding area. Does development actually spread from the growth center to a surrounding area? This is especially important in rural areas where the difference between a community and the surrounding area is less dramatic than the difference between a city and its rural hinterland. Current data do not permit one to distinguish various types of growth centers' impact on their surrounding areas. However, concern is now growing that intensified relative underdevelopment is as likely in the surrounding area as is enhanced development.

The growth center debate raises the larger question of the definition of a "community" for development purposes. No one would suggest that every community now existing in rural America can or should be the object of public sector or private sector efforts to stimulate growth. The private sector has shown no interest in such a criterion for investment decisions. The burden on the public sector--whether federal, state, or local--would be prohibitive. Stated most baldly, these are questions of which communities should live and which communities should die and whether this should be a matter, at least to some extent, of citizen preference expressed through public policy or whether it should be a matter of market forces. These are not the kinds of questions that officials wish to consider directly --or at least which they wish to admit that they are considering. Even if market forces remain predominate, more careful consideration of the issues of scale would help clarify deliberations in both the public and private sectors.

Aspects of Rural Poverty

Poor people are not a distinctive feature of rural America. However, the poor in rural America tend to differ from the poor in urban America in ways that should have an impact on policies designed to deal with poverty in these two different contexts.

Underemployment, not unemployment, is the greatest problem in rural America. The rural poor tend to be a working poor. At least 25% of the poor families in rural America have one member working for the entire year.[7] Poor rural Americans have demonstrated their willingness to work and their ability to hold jobs. The problem is that they cannot earn enough to support themselves and their families by their work.

Not only do most poor rural Americans work but a large proportion of them hold more than one job. They may hold two or more part time jobs simultaneously or they may hold several seasonal jobs throughout the year. Such industries as agriculture, construction, and mining tend to be seasonal.

Self-employment is more common in rural America than in urban America. This is true even if one excludes agriculture from the comparison. Almost 10% of the rural labor force is self-employed outside of agriculture. If one includes agriculture, then 17% of the rural labor force is self-employed, with 11% of these relying exclusively on self-employment.[8]

The poor in rural America tend to live in families with both parents present. Almost 70% of the poor families in rural America are headed by males.[9] Partly as a consequence, only 25% of poor families in rural America receive assistance from Aid to Families with Dependent Children.[10] Only 20% of the rural poor but 33% of the urban poor

receive public assistance.[11] These statistics reflect the combine effects of family efforts and state policies. Many of the Southern states with large population of rural poor have low levels of social services. Nationally, Social Security is the largest government program in rural America. Families survive, although they do not overcome poverty, by working. Thirty per cent of the poor families in rural American have two or more persons working.[12]

Because they work, many poor persons in rural America cannot qualify for public assistance. Such programs require that a person be unemplyed himself or herself and that he or she not be living in a family in which at least one member is employed. These eligibility criteria neglect the problems of the persistently poor sub-employed. Sub-employment has been estmated to be 50% higher in rural than in urban America.[13]

Perhaps most paradoxical of all, the rural poor tend to be a property-owning population. The idea of "poor" property owners strikes most Americans as incongruous. Resolving the paradox requires distinguishing between net worth and net income. Owning--or holding some equity in--a small or marginal farm does not give a person the kind of net worth position that can be leveraged into expanded assets. Marginal farms or small plots owned as home sites do not so much increase a person's assets as limit a person's mobility. The ownership of such property does not raise a person or family above the poverty level. Many small farmers work off their farms or their wives hold off-farm jobs to support the farm. In many of these situations, it is necessary to work to protect what little equity one has in property. Instead of net worth enhancing net income, net income is used to protect net worth.

This limited mobility means that the rural poor cannot and will not travel great distances in search of employment. They will stay near their farms or homesites even if it means a less desirable job at a less desirable wage.

The limited mobility of the rural labor force is determined not simply by property ownership but also by several characteristics of many individuals in this labor force. Rural Americans tend to have less formal education than do urban Americans.[14] Education levels vary within the rural population. These variations are fairly complex. For example, among farmers, women tend to have more education than men. But, among the nonfarm rural population men tend to have more education than women. Region and race add further complexities to the picture. In general, one can say that the rural labor force is not highly educated but it is not uneducated. The problem is not so much functional illiteracy, as it may be among the urban hard core unemployed, but low levels of education and lack of any specific skills. These limited education levels make it more difficult for rural workers to adapt to different types of work or to advance beyond an entry-level position once they do find jobs.

Race and region also affect the opportunities availabe to rural workers.[15] Unemployment is highest among blacks in the Deep South. Black men have a higher unemployment rate than do black women. Women, white and black, are sought as workers in the service sector and in nondurable manufacturing. The reasons for employers' prefernce for women workers in the unskilled and semiskilled jobs in rural

industries have not been fully explored. This preference does not hold in the West and in those parts of Appalachia where mining is the primary occupation.

Although there are many exceptions, one can suggest that rural poverty results from underemployment rather than primarily from unemployment. Rural workers have job experience in unskilled or semi-skilled jobs. They have little experience with unionization or with other forms of organization to assert or protect their rights. Similarly, rural workers experiencing temporary or periodic unemployment are less likely than their urban counterparts to receive public assistance.

It is not clear that these characteristics of the rural poor are recognized and understood by those who are planning rural development programs. Drawing on urban analogies may be especially inappropriate for those who develop and implement vocational education programs for rural workers. To the extent that programs are designed to solve problems of unemployment they will be largely irrelevant to the rural labor force. However, programs that address issues of underemployment tend to become extremely controversial within local labor markets, especially when these labor markets are controlled by one major employer. Programs that seek to enhance the mobility and thereby the economic bargaining power of rural workers are bound to arouse the opposition of employers who benefit from their workers' lack of alternatives. Addressing the problems of those who remain poor even while they and their families work is generally a politically controversial undertaking. Politicians can be expected to

become involved in such controversies only if they understand that poverty has more complex causes that a disinclination to work and if they see that simply holding a job may not raise a person or a family above the poverty level. Work is not an end in itself but a means of achieving a better life for oneself and one's family.

The issue of underemployment has scarcely been addressed. The crucial question is whether underemployemnt is essential to maintain the kinds of firms that locate in rural America. Do rural Americans have a choice only between no jobs or jobs that do not help them overcome poverty? Do rural Americans have only the alternatives of being the unemployed poor or the working poor? Asking these questions means asking fundamental questions about American industries and whether the kinds of industries that are most common in rural America are actually competing with the wage rates of the developing nations, where nondurable manufacturing plants are being established in ever-increasing numbers. There are no answers to such questions given the present state of knowledge. Such questions are only beginning to be asked as observers begin to explore the differences between rural and urban poverty.

Poverty and Rural Communities

Rural communities are also characterized by distinctive features linked with poverty. Some of these features are causes of poverty, some are consequences, and some are both since poverty tends to be reinforcing and self-perpetuating. Individual poverty exists in a particular institutional context which is both a cause and consequence of poverty.

Rural communities tend to differ among themselves in almost every dimension. Even if "rural" communities are restricted to those with populations of 2,500 or less, the range of diversity is almsot overwhelming for analysts and planners. Yet, rural communities do share some common features that relate to rural development and the relationship between rural development strategies and rural poverty.

Rural communities tend to have part time governments with little experience with the process of benefitting from federal or state programs designed to address their problems. "Grantsmanship" tends to be an urban skill. Some observers suggest that rural poeple are inherently more self-reliant and therefore that their lower incidence of aid from federal or state sources reflects rural preferences rather than rural disabilities. There is no conclusive evidence on this issue. What is evident is that rural America has received significantly less from public programs on a per capita basis than has urban America. The inherent difficulties of political culture analysis--determining whether people receive less from their governments because their culture conditions them to seek and desire less--is beyond the scope of this paper. Political culture remains an unexplored dimension of social science. In the current state of the art, political culture assertions can be and are used to

justify whatever currently exists by those who currently benefit from a given set of conditions.

The institutional characteristics of local governments offer a more researchable field of inquiry than does "rural culture." Throughout our national history Americans have held paradoxically ambivalent attitudes toward local governments--valuing small governmental units in the abstract but disparaging them in their concrete operations. Most studies of local governments point to their limited capacities to plan and implement programs. In addition, many of these local governments in rural areas as well as in cities have been notably corrupt. At the very least, local governments tend to be controlled by a very small sector of the population. During the 1960s romantic invocations of the virtues of local control became a staple of counter-cultural politics. Despite the 1960s rhetorical invocation of local governments, little research has been done on their operations. Academic political scientists have virtually abandoned concern with local governments and pay only fleeting attention to state governments.

Contemporary interest in local governments arises not among academics but among those who have attempted to plan and implement programs with local governments. These analysts and planners have become concerned with what is now called "capacity building."[16] This means the capacity to plan and implement local undertakings and to coordinate efforts with other local governments, with state agencies, and with federal agencies. Representing the interests of local people depends on local governments' capacities to interact with other public and private sector actors involved in economic development.

The concern with capacity building will continue regardless of the precise nature of American federalism. Giving more power to local governments will have little impact unless those local governments have the capacity to capitalize on the new opportunities. The effect of block grants remains a matter of speculation. Undoubtedly, the effects will vary greatly among local governments. There is a distinct possibility that block grants may exacerbate the consequences of the limited planning, implementation, and interaction capacities of local governments. Block grants can, then, decrease federal control of resources and federal direction of programs without at the same time increasing local control of resources and direction of programs.

Even if local governments achieve enhanced institutional capacity, the consequences for individual well-being in the local area are not immediately clear. All government involves trade-offs between accountability to community mores and the skills required to serve community needs. This is the challenge of poltiical leadership. This challenge and the trade-offs it involves become more complex as the decisions to be made about community affairs come to require more specialized technical knowledge. This is unavoidable. Local governments cannot serve their people by ignoring fundamental trends in the larger society. An attempt to preserve local governments from the modern world simply excludes local officials from any meaningful role in the decision-making process. Decisions will be made by state or federal officials or by actors in the private sector. It is difficult to conclude that it is more democratic for local officials to lose influence to state officials than to federal officials. A healthy federal republic and sound public programs require that local governments play an effective role. Block grants cannot in

themselves ensure that effectiveness.

Local governments may well come to deal directly with private sector actors to a greater extent than they do now. Block grants that actually make more funds available to local governments may intensify this trend. The extent of current co-operation between local governments and businesses seeking to locate in an area remains largely undocumented.

Building the capacities of local governments is not an end in itself. The purpose of any governmental action in a democracy is to serve the interests of citizens. This is always a political matter--and it is quite properly a political mattter. Changes in the operation of the federal system shape the distribution of advantage in that system. Some sectors of the population will pursue their interests more successfullly when the state governments play an expanded role, while other sectors of the population will look to the federal government for relative advantage. It should hardly be surprising that procedural questions are intimately related to questions about the pursuit of goals. If this were not the case, procedural questions would hardly be worth discussing.

Experiences with Rural Development

Comments on experiences with rural development are unavoidably a series of snapshots rather than a moving picture. To date, neither scholars nor practicioners have collected longitudinal data nor conducted a series of case studies based on systematic comparisons. Indeed, it is impossible to determine whether the data that have been collected constitute a reasonably representative, if not a statistically random, sample of experiences with rural development. No one has ever catalogued those experiences, so one does not even know what universe of experiences one might be sampling. With such indeterminacy in the data, it is impossible even to describe experiences much less to develop or test hypothese about the processes of economic growth in rural areas.

Of course, observers generally bemoan the state of the data and call for efforts to rectify the problems. However, data collection on a grand scale may be premature. There is as yet no model of rural development, no agreement on what one would wish to know should one be able to collect more data. The criteria by which rural development is to be evaluated remain to be specified. This is one of the reasons that debates over rural development can be so passionate without being enlightening. Of course, data collection and model building are synergistic enterprises. No one would suggest that no further data should be collected until a general model of rural economic growth had been developed. Similarly, no one would reasonably suggest that data collection is a substitute for conceptualization.

This paper cannot provide new data. It similarly does not propose a general model of rural development. However, it is useful to think of three criteria of successful rural development--individual betterment, community vitality, and national economic revitalization.

Most people would probably agree that all three are desirable. Disagreements arise over priorities. Pursuit of one goal is not neutral with respect to the goals assigned second and third priority. In some instances, choice of one goal impedes progress on another goal. It is not clear whether or in what manner individual betterment links with community vitality and the two link with national economic revitalization. The current data permit no definitive answers.

Having made a distinction among three broad goals of rural development, the next step is to ask what role rural industrialization has played in the pursuit of each of thes goals.

The most startling and potentially disquieting finding is that the increased economic well-being of rural Americans has depended more on increased transfer payments than on increased wages for jobs.[17] Transfer payments have come primarily from the federal government. Social Security is the largest single source of these transfer payments. This does not mean that rural Americans are receiving a disproportionate share of the benefits from federal programs. Rather, it suggests that even though benefits to rural Americans lag behind those received by urban Americans, these payments constitute a larger share of the rural than urban income.[18] This further suggests that wages are a less important share of the rural than the urban income even though employment has been growing in rural America. This is a pattern consistent with the existence of a signficant degree of sub-employment. Since a continued expansion of transfer payments cannot be assumed, rural Americans and rural communities may feel important effects. Heretofore, much of the well-being based on transfer payments has been attributed to the benefits of insutrialization.This has helped obscure the problem of rural

sub-employment. The impact of transfer payments would probably have been greater had rural Americans been more aware of their eligibility for benefits from various programs. It is generally felt that many more rural Americans are actually eligible for benefits than are receiving benefits. In addition, the particular characteristics of rural poverty--a working, property-owning, family-based poverty--disqualify rural Americans from some of the programs they would seem to qualify for on income criteria. Whether this has been a positive factor for the future prospects of rural America is a matter of intense controversy. Rural Americans would seem to provide a useful test of the Gilder hypothesis that people who do not qualify for government programs have a greater chance of overcoming poverty than do those who have received public assistance, especially if that assistance is based on single-parent households. [19]

The effects of industrialization have not been distinguished from the effects of transfer payments in pursing the three goals of rural development. Transfer payments are further distinguished from industrialization by the non-involvement of local governments in attracting such income. Transfer payments are made to individuals. They do not require community involvement. Therefore, the limited institutional capacities of local governments are obscured by the in-flow of income to local citizens through transfer payments. In the case of industries, local governments are becoming involved in offering incentives to location. This tests the capacities of local governments to serve and to reconcile the interests of diverse components of the local population, the interests of the new or expanding industrial sector, and the interests of an older agricultural sector.

States and communities now compete intensely for industries. The competition is especially acute for nondurable manufacturers since they are not bound by the availability of raw materials or other characteristics peculiar to a particular site. They also employ low-skilled workers of the type available in rural areas. In such a competition, almost all communities have something to offer and few communities can be automatically ruled out. Unlike mining or other forms of energy development, nondurable manufacturing plants can be relocated with little disruption to production. The competition among states and communities has become know as "smokestack chasing." [20] Evidence is accumulating that some companies take advantage of the competition to locate and then to relocate and then relocate again to take advantage of community incentives. Again, it is not always easy to determine when in fact an industry is relocating and when it is adding a new facility. Relocation is a far more complex process than one would gather from the heated exchanges at Sun Belt--Frost Belt conferences.

Industrial location decisions are not clearly understood. There is no agreement even on a list of factors that affect location decisions. Much less insight is available on the priorities that executives in various types of industries attach to the numerous factors relevant in a location decision. Two research methods have been tried and each has its limitations. One might ask those who make such decisions what factors influenced their choices and one might infer the reasons for a decision from the decision itself. Each method has advantages and disadvantages. As in any survey research, asking participants produces

articulated attitudes. It is not necessary to suggest that respondents lie in order to suggest that attitudes and behavior do not always correspond perfectly. Attempting to infer the reasoning process from a sample of location decisions risks picking a sample of outcomes that are atypical or failing to capture the complexity of the decision. Those aspects of a location that seem most obviously important to an observer may not have been the most important factors in the minds of the decision-makers. There problems are inherent in all research projects and do not constitute a unique or insurmountable barrier to meaningful research on rural development. However, awareness of these methodological considerations is useful in assessing those few studies on location that have been done.

One finds very few studies of the location of rural industries.[21] Business perons generally assert that low wages themselves are not a primary consideration and that the efficiency of the labor force is even more important in determing labor costs. Whac actually constitutes cheap labor in various industries is a matter of some dispute.

Local government leaders and state officials seem convinced that public sector incentives are essential. Fragmentary research shows no conclusive evidence that business leaders share this view. It is possible that the more marginal businesses are more attracted by tax incentives than are more stable businesses, but the data are sparse. Provision of infrastructure in the form of land, buildings, water and electricity may be important factors in location decisions.

The most important factor in location decisions seems to be an assessment of the business climate.[22] In this assessment, the likelihood

of labor troubles seems to be a very important, possibly a decisive, factor. Rural areas, especially in the South, have a lower rate of unionization than does the nation as a whole. The provision of physical infrastructure, tax incentives, and training programs may be more significant as indicators of a community and state commitment to a good business climate than as factors in their own right. Areas of large minority populations are regarded by at least some making location decisions as a poor risk since minority populations may attract unionization or other efforts destabilizing the local labor force.[23] Since women are available in all areas, their presence or absence cannot be a locational criterion. However, since women's wages nationally are 59¢ for every dollar earned by men, they are a low-wage and generally a non-disruptive work force.

The roles actually played by local governments and state governments in shaping location decisions by the private sector requires far more research. No one has yet inventoried the range and incidence of locational incentives. Nor is the impact of these incentives on the community well-understood. Who pays for rural industrialization? Answers are not yet being sought through systematic inquiry.

The emphasis on attracting industries has obscured inquiry into what happens once the industry comes to a local area. What are the results of successful smokestack chasing? For individuals, the results are jobs but not necesaarily an end to poverty. Most of the managerial and skilled positions go to new arrivals, to those brought in by the firm.[24] Local residents tend to get the unskilled jobs that pay minimal wages and provide, at best, minimal benefits packages. Young workers and women are given preference over adult men. The reasons for this preference is

unclear. The results are somewhat clearer. Women in rural industries have more jobs but their median income declined $200 per year between 1969 and 1976 as more and more women were employed in low-paying jobs. There are instances of women whose work is managerial but whose jobs have been redefined to clerical so that their wages can be kept at a minimal level. A study by the United States Department of Agriculture concluded:

> While it is true that labor force participation increased, that residential differences in participation declined, and that a majority of employment growth during the 1960s was accounted for by women, other indicators, such as the industrial and occupational composition of employment, show that nonmetro women continued to be concentrated in low-wage, low-skill, and low-status jobs. Over one-quarter of nonmetro women were employed in nondurable manufacturing, extractive, and personal service industries, while only 17 percent of metropolitan women were similarly employed....
>
> While the number of employed nonmetro women with earnings increased by 2.9 million from 1969 to 1976, the mean earnings of these women actually declined by $200. Therefore, while more women are becoming employed, the occupational and industrial composition of their job opportunities implies reduced average earnings.[25]

This is a consequence as much of the nature of job opportunities as of sex-based wage rates. The same factors affect the wage rates of men in rural industries, especially the men from the community into which the industry moves. Local men tend to work at unskilled or semi-skilled jobs, while the in-migrant males tend to hold supervisory and managerial positions. Neither men nor women from the local area tend to have much opportunity for career advancement within the company.

Black men have far fewer opportunities for employment than do white women or men.[26] This is seen most clearly in the South, where employment opportunities have increased rapidly in rural industries. However, although blacks comprise 40% of the Southern work force, they

have received only 16% of the new jobs.[27] In Alabama industrial employment rose 30% between 1950 and 1970, but employment in the most heavily black areas declined by 30%.[28]

Overall, rural industrialization seems to coexist with contined sub-emplyment. Since 1950 industrial jobs paying below the national average have increased by 128% in rural America, while industrial jobs paying above the national average have increased by only 28%.[29] A study prepared by the National Institute of Education concluded:

> The growth of large-scale business and industry in rural locations has improved rural conditions simply by putting more people to work. It has not, according to most studies, helped those most in nedd, the disadvantaged and minorities, nor has it significantly improved income disparities....Thus, while industrial growth has improved the employment picture in rural areas, it has not always improved the income picture or the quality of life.[30]

These findings remain tentative until one has better information on what kinds of rural industries in what kinds of locations account for various levels of wages. It is also unclear how broad-based, how close to statistically random are the samples on which these findings are based. Whether the pattern of sub-employment continues as industries mature or as more industries become established in a community remains unresearched.

Successful smokestack chasing also has consequences for the community. These consequences affect both the public and private sectors in local communities. The public sector impacts relate to the costs of attracting industries and the costs associated with population growth linked with industrialization. These public finance questions have rarely even been discussed, much less researched.[31] Competition for industries seems to involve tax breaks, tax deferrals, and direct expenditures such as the provision of a plant site and perhaps even buildings. These costs

may be fiananced by the sale of bonds or through increases in the property tax. The tax burden on various sectors of the community associated with various levels and types of public financing of industrial plants remains unexplored. Sommers and his colleagues found that local government officials generally underestimated the costs and overestimate the benefits of attracting an industrial plant.[32] Again, they make no claim that they have a statistically representative sample even though theirs is the most comprehensive compilation of data on rural development to date. Public finance of rural development is perhaps the most important unexamined area of inquiry. It requires collecting data from thousands of local governments and quasi-governmental organizations, inventorying their powers to raise revenue, and conducting case studies on the impacts of these revenue-raising strategies.[33] It is impossible to draw any conclusions about the benefits of rural industrialization until it is possible to document the costs.

The direct costs associated with attracting an industry may be compounded by indirect costs in sustaining that industry. These costs may include expanded public services such was water, sewer, streets, street lighting, education, health care, recreational facilities. Such costs could also be community benefits by enhancing the quality of local life and by stimulating local economic activity. Overall, however, the multipliers associated with the location of a plant in a rural community are small.[34] This is partly due to capital leakage from the local community to the nearest large city. Bluestone found that communities not adjacent to metropolitan areas retain a greater share of the money

generated by local industry than do communities that are adjacent to metropolitan areas.[35] Nevertheless, capital leakage remains a significant factor. This is primarily a leakage to urban areas rather than to the surrounding rural areas. Rural industrialization tends to help communities but not counties to the extent that it has documentable local benefits.[36] The impact on a community is also limited by the prior existence of substantial excess capacity in local retail and service enterprises.[37] New industrial plants do not seem to help start other new business but they may help existing businesses remain viable. This is a very complex matter. Industrial plants that bring in new people also tend to attract new businesses, usually franchises of national chains, to permit those people to live as they have elsewhere. This is usually welcomed by local people who prefer to eat the kind of fast food they see on television rahter than that available from a local cafe. In some spheres at least local people welcome change. Again, there is no substitute for careful case studies of changes in actual communities.

In all of these studies agriculture is a major neglected variable.[38] Rural communities have been sustained--to the extent that they have been sustained--by agrarian economies. The relation between the older agricultural economy and the new industrial sector defies speculation. To the extent that rural industrialization is financed through increased property taxes, farmers will bear a disproportionate burden. However, local taxes do not usually constitute an important share of total farm costs. To the extent that local industry makes land more valuable, farmers will have increased net worth and enhanced borrowing capacity.

There has been no satisfactory research on the impact of local and state taxes on farmers. Since tax returns are confidential, neither officials nor scholars routinely have access to the data necessary for assessing the impacts of taxes on farms. The relation between the agricultural and industrial sectors of local economies remains virtually unexamined.

It would be premature to reach any firm conlcusions about the experiences with rural industrialization. Raising the question of scale is to show the lack of research on the causal sequences of rural economic growth as well as on the impacts of these changes on individuals, communities and the national economy.

The national impacts of rural economic change are probably less pervasive than the impact of national economic developments on rural economies. In the national debate over economic policies, rural areas are rarely mentioned. Rural areas are virtually excluded from the controversy over reindustrialization.

Rural Development in National Perspective

Everyone agrees that rural development is linked to the provision of jobs. Not everyone agrees on how to provide the kind of jobs that permit workers to raise themselves and their families out of poverty. The debate over jobs has been subsumed in a national debate over the operation of the entire national economy, the roles of the public and private sectors, and the merits of focusing directly on the needs of the poor. In this debate, rural America is rarely mentioned directly. Yet, the debate over "reindustrialization" could have profound consequences for rural America and rural Americans. The nature of the potential impacts is best understood in the light of a brief discussion of the broader debate over national economic revitalization.

"Reindustrialization" is not simply another program or policy. It is a public philosophy for the nation. It calls for fundamental changes in individual and societal values and behaviors. Business leaders, labor leaders, elected political leaders, senior administrators, and scholars from the universities and the private research centers have all participated in shaping this new public philosophy.

Productivity is the central theme of the proponents of reindustrialization. Business Week opened its special issue on reindustrialization with a dramatic call for a commitment to increased productivity:

> The U.S. economy must undergo a fundamental change if it is to retain a measure of economic viability let alone leadership in the remaining twenty years of this century. This goal must be nothing less than the reindustrialization of America. A conscious effort to rebuild America's productive capacity is the only real alternative to the precipitous loss of competitiveness of the last fifteen years, of which this year's wave of plant closings across the continent is only the most vivid manifestation.
>
> Reindustrialization will require sweeping changes in basic

> institutions, in the framework for economic policymaking, and in the way the major actors on the economic scene--business, labor, government and minorities--think about what they put into the economy and what they get out of it. From these changes must come a new social contract between these groups, based on a specific recognition of what each must contribute to accelerate economic growth and what each can expect to receive.[39]

Enhanced productivity is most important in those industries that can compete successfully in international markets. Reindustrialization is not a series of ad hoc bail-outs of troubled companies but a transformation of American capitalism.

Any such fundamental restructuring of the economy will inevitably have profound effects throughout the economy, the society, and the political system. Reindustrialization will have especially important impacts on employment policies and on social service programs. The easy and comforting assumption that growth benefits everyone is not necessarily correct. The proponents of reindustrialization do not resort to this soothing rhetoric.

The primary purpose of reindustrialization is capital accumulation, not job creation. Peter Drucker, writing in The Wall Street Journal, makes this distinction quite clearly:

> When union leaders and executives of old-line manufacturing industries call for "reindustrialization," they most commonly mean policies that will maintain traditional blue-collar employment--especially jobs for semi-skilled machine operators--in mass production industries.
>
> But, in all highly developed industrial countries, including the more industrialized parts of the Communist bloc, policies aimed at maintaining traditional blue-collar employment are incompatible with another meaning of "reindustrialization": the restoration of international competitiveness as a producer and exporter of manufactured goods. On the contrary, the only way for a developed economy like the U.S. to regain its

> international competitiveness is to encourage a fairly rapid shrinkage of traditional blue-collar employment.[40]

To the proponents of reindustrialization, much of the American labor force is an unproductive surplus, a drain on productivity not characteristic of the economies of the other advanced industrial nations. Since these people will continue to exist, some way must be found to turn them from a liability into an asset. Business Week suggests that these workers could be the basis of a strategy to make the United States competitive with the industries of the developing nations.[41] This strategy depends on making non-durable manufacturing industries more efficient and keeping wages in these industries competitive with those in the developing nations. This would not mean paying the same wages, but in paying equivalent rates for equivalent productivity. Public or private investment in such industries would not be as important as investment in industries that could compete in markets for advanced products. Local governments might well become more important as sources of investment capital for non-durable manufacturing firms.

Paradoxically, the discussion of reindustrialization is at once comprehensive and incomplete. Consideration of the scale of enterprises is the major missing element. Consideration of scale focuses on the issue of choice. Unless one assumes that investment capital will become so readily available that choices are no longer necessary, choices will have to be made. Indeed, proponents of reindustrialization emphasize the negative consequences of past failures to make such choices and the necessity of making them in the future. These will be choices between

competitive and non-competitive firms, with the standard of competitiveness being set by global markets.

Scale is an undiscussed intervening variable in these discussions. No one suggests that competitiveness and scale relate linearly. No one, however, offers any suggestions about the relationship between scale and competitiveness in various industries. While economic revitalization is not designed to save jobs by bailing out troubled giants, it is also not designed to create jobs by aiding those small businesses that account for most of the jobs, most of the new jobs, and most of the minority employment in the American economy.[42] Small businesses suffer to an important extent from capital shortages at critical periods. They may well require the kind of direct investment that most proponents of reindustrialization would prefer to see replaced by tax incentives, accelerated depreciation schedules, and reduction of the regulatory burden.

Proponents of reindustrialization do not rely on a soothing 'general interest' arguement, but they do not discuss the issue of linkage among firms of various sizes. How does economic revitalization in one sector of the national economy affect other sectors? Is there a "national" economy or is the economy multi-local so that the effects of growth in various industries or particular areas do not spread to other industries in other areas of the country? Again, one sees that concern with the issue of scale leads directly to questions about the processes of economic growth. Since World War II economists have devoted more attention to studying the processes and phases of growth in the new nations with developing economies than they have to studying the same processes in the older nations with mature economies.

Some commentators refer to a "trickle down" effect of aggregate growth, but these references assume the contours of a faith rather than a theory. It is by no means clear where and how aggregate growth must occur if it is indeed to trickle down to smaller businesses and to those Americans who are not employed in competitive industries requiring a highly skilled labor force.

Reindustrialization theorists do not provide analyses of the causal sequences of economic growth in a mature industrial economy. Rural Americans need such analyses if their interests in the vitality of diverse enterprises are to be linked to the broader public philosophy of economic revitalization.

Vocational Education and Rural Economic Growth

Vocational education programs at the secondary and post-secondary levels can be investments in human resources. The utility of such investments for the individuals, communities and for the nation are matters of some dispute.

Education is always controversial. This is partly because someone will usually take exception to some portion of the curriculum. This is as true of vocational courses as it is of the more obviously controversial subjects like sociology, political science, economics, and philosophy. Even chemists and biologists manage to engage each other in intense controversies. Education is also controversial for reasons not directly attibutable to the content of the curriculum. Educational programs and institutions stand at the intersection of the public and private sectors. Designing educational programs involves attempts to reconcile competing community interests.

Each of the three broad goals of rural development suggests a different approach to vocational education. Placing first priority on individual betterment suggests vocational education programs that would not simply train people for entry-level positions but for job mobility. This means training not only the unemployed but also the underemployed. Such an approach has become extremely controversial in many areas. Employers feel that programs for career advancement tend to destabilize the work force and they object to using public monies for such a purpose. The same type of controversy surrounds discussions of whether vocational programs should emphasize general or specific skills.[43]

General skills would seem more useful to those seeking career mobility, while specific skills might be more useful to those seeking job entry. One of the difficult questions in this disucssion is defining what constitutes a specific or a general skill. Basic literacy would be a general skill, but would welding be general or specific? The case of training people to operate the machines used in only one plant would be a clear case of a specific skill. Under what circumstances would such very specific programs be necessary? Under what circumstances would businesses want their workers trained that specifically by someone else? Is this a justifiable use of public money? These are not easy questions. Critiques of vocational programs providing specific skills generally charge that these programs limit people to sub-employment by training them only for one very narrowly defined job. Even this training is not open to everyone with the basic qualifications to perform such work. South Carolina has become known for linking access to vocational training to a clean record of non-involvement with unions.[44] Such approaches suggest that the vocational education officials, having become acutely uncomfortable with their difficult position at the intersection of individual and business interests, have resolved the problem by choosing to annex a publicly-funded program to the private sector.

Such choices are more likely to be made in communities with one large business than in communities with several smaller businesses. in addition to one or more large plants. Rural communities are unlikely ever to offer great diversity of employment opportunities. In such

contexts one must ask whether vocational programs, and especially post-secondary vocational programs, are necessary at all? Should the industry itself assume the responsibility for and the cost of training its own workers in the use of machines particular to that plant? Should vocational education monies be used instead to help the hard-core unemployed in rural and urban areas acquire sufficient skills to be able to enter these industry training programs. These are fundamental questions about the relations between the public and private sectors. Reduced federal interventions in the private sector logically coexist with increased private sector responsibilities for itself.

Strategies for designing vocational education programs for enhanced community vitality are as complicated as are the strategies for designing vocational education programs for individual betterment. If community vitality means not having the younger generation leave the community, then perhaps vocational programs should teach a limited range of industry-specific skills appropriate to employment in the local community. This, however, may be a short-sighted approach to community vitality. One might think instead of training that would help local people establish small businesses serving the needs of the local industrial or agricultural sectors or catering to the needs of local consumers. In addition, programs might be offered that help local people, as citizens, make decisions about their community--what types of incentives should be used to lure what kinds of industries and how should the costs be distributed?

Making national economic revitalization the primary goal of both the public and private sectors would very possibly leave little

room for vocational education programs. The 'knowledge workers' in those companies most likely to be competitive in global markets would be trained by the colleges and universities, not by the vocational institutions. Mass-production workers would have little basis to claim publicly-funded training since the number of semi-skilled workers would be decreased rather than increased.

Pursing a rural development strategy that recognizes issues of a link between scale and diversification, on the one hand, and community vitality and individual betterment, on the other, suggests a vocational education approach that provides the kind of general skills required in small businesses. These are also the kinds of skills that, at the very least, do not impede individual advancement even if vocational training is a relatively minor factor in achieving such advancement. Acquisition of such skills may facilitate out-migration and the search for greater opportunities elsewhere. This possible pattern involves something of a paradox: a large plants import their managers into the local community, local people with too much training for unskilled jobs but too little training for managerial positions leave. This may not be a legitimate concern of public policies. But, it does suggest that individual betterment, community vitality, and national economic revitalization cannot always be easily reconciled in the design and implementation of vocational education programs.

Conclusions and Recommendations

Rural America is being ever-more closely integrated into the national economy and the national culture. Rural Americans tend to welcome many aspects of this process, but they do not want to be integrated into the broader economy to the disadvantage of themselves or their communities. This seems like a reasonable position, but, as students of the complexities of achieving Pareto optimality have demonstrated convincingly, it is by no means a simple task. Some communities of rural America will disappear as their former utility as market centers and socio-cultural centers and even politico-administrative centers declines and these functions are transferred to other communities that were once considered remote and which are now demonstrably accessible. Some people who may prefer to live in a rural area will have to go to cities to find employment opportunities that match their skills. These are the unavoidable by-products of change. Yet, this is not to conlude that rural America as a whole will become irrelevant either to the people who live there or to the national economy. Indeed, people and businesses are moving into rural America.[45] This paper has suggested some prelimary considerations and some topics for future research and furture policy consideration.

Despite the growth of industrial employment in rural America, the total income from transfer payments is still larger than the total income from industrial employment. This finding should raise questions about the wage and salary levels in rural jobs. Such quetions seem especially important since rural Americans receive a lower level of aid from public sources than do urban Americans and yet, in urban America, income from industrial employment exceeds that from transfer payments.

Rural poverty differs significantly from urban poverty in ways that are directly relevant to public policies. Urban poverty stems largely from unemployment, while rural poverty stems primarily from sub-employment. It is facile and, indeed, irresponsible, to decry sub-employment until one can determine whether unemployment is the only alternative to sub-employment, whether industries would not or could not move to rural areas if rural workers commanded different wage levels. Virtually no data relevant tc answering this fundamental question yet exist.

Several observers have related sub-employemnt to the occupational mix characteristic of labor markets in local communities. This discussion has not been linked to questions of the scale and diversity of enterprises within a labor market. It is not clear whether, on balance, large or small or medium-sized industries pav better wages and offer greater scope for advancement. The conditions accounting for variations have not yet been identified.

Questions of scale are also related to questions of the causal sequences of growth. It is unclear under what conditions a large plant in a community facilitates the emergence or survival of smaller companies and retail and service businesses.

The relations between the agricultural and industrial sectors of local economies remain virtually unexamined. Yet, development strategies in one sector that restrict opportunities in another sector cannot be consistent with any of the three goals of rural development.

The role of the public sectors at the federal, state, and local levels in fostering particular types of rural development remains largely unstudied. The impacts of these efforts are even more difficult to assess. The broad question that should not be ignored is: What is the proper relationship between the public and private sectors. A corrollary of the private sector's desire for less interference is an increased willingness to take responsibility for itself. This might well reduce the current competitive smokestack chasing resulting from the competition among communities and states for industries.

This broad question relates directly to vocation education programs. The industry-specific programs seem a questionable use of limited public resources. This seems especially true since there is little evidence that the provisison of such programs is either a necessary condition for attracting industries or enables individuals to overcome the poverty associated with sub-employment.

Finally, the national agenda of economic revitalization may well have significant impact on rural America. In these discussions, rural America is mentioned only indirectly. Yet, a large protion of the country with a growing proportion of the population cannot responsibly be dismissed.

It is always easy and always justified to call for increased research on important topics. Questions of rural development require not so much more research as more focused and better-coordinated research. Policy makers cannot wait for scholars to develop complete data sets and flawless models, but both scholars and policy-makers--as well as the people of rural and urban America--have an interest in improving our understanding of the fundamental issues affecting a changing rural America.

Footnotes

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